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How the White House ran the secret 'contra' war.

REAGAN'S SHADOW CIA

BY ROBERT PARRY AND BRIAN BARGER

THE CRASH OF an arms-laden cargo plane in southern Nicaragua on October 5 exposed more than an operation mounted by private American mercenaries or, as one critic put it, by ex-CIA men with "a wink and a nod" from the U.S. government. It brought into sudden focus a highly covert paramilitary network of former intelligence operatives working for the White House. The secret organization was set up by Reagan administration officials in early 1984 and enabled the White House to circumvent a congressional ban against "directly or indirectly" aiding the *contra* rebels fighting to overthrow the government of Nicaragua. It was a shadow CIA—hidden from Congress, unaccountable to the American public, and answering only to the White House.

The secret White House program reunited an old-boys network of former CIA operatives dating back to the Vietnam War and the Bay of Pigs invasion of Cuba. Many of the participants—from the program's chief organizers to the men kicking cargo out of the planes—had worked for the CIA. Eugene Hasenfus, the cargo handler who was captured after the October 5 crash, flew missions for the CIA-owned airline Air America during the Indochina War. So did William Cooper, the pilot killed in the crash.

Documents on the plane led to other CIA connections. In February Wallace Blaine Sawyer Jr., the co-pilot killed when the plane was shot down, flew cargo planes to a U.S.-built airstrip in Honduras for a Miami company called Southern Air Transport. Southern Air was owned by the CIA until 1973. Over the past three years—as the *contra* aid network evolved—Southern Air emerged as a leading Pentagon contractor transporting military equipment to Central America and elsewhere. Southern Air's address was also used by a mysterious firm, Corporate Air Services, when it purchased the cargo plane that was shot down.

The former CIA operatives, involved in the *contra* air resupply network, worked out of El Salvador's Ilopango military airfield. Senior Salvadoran officials say the air base would not be available for such operations without high-level U.S. approval. These former operatives also carried credentials from the Salvadoran armed forces, identifying them as U.S. military advisers.

Hasenfus, now on trial in Nicaragua, says the supply operation was directed by two Cuban-Americans. Both, he said, worked for the CIA. One of them was named Felix Rodriguez, and also known as Max Gomez. According to a report prepared by a private arms dealer involved in the aid network, Rodriguez/Gomez was placed at Ilopango airfield by Donald Gregg, a senior aide to Vice President Bush, and by Nestor Sanchez, a top Pentagon official responsible for Central American military aid programs. Gregg and Sanchez have held senior-level jobs at the CIA, and Bush was the director of the agency in 1976.

But the connections go deeper still, ultimately tying in to a White House program started in early 1984 to keep *contra* aid alive despite fierce congressional opposition. Senior White House officials, facing a congressional aid cutoff, prepared plans to establish a "private aid" network. This more covert operation would replace the CIA in training, arming, and directing the *contra* rebels in their war against the leftist Sandinista government.

The initial "private aid" plan was drafted by Marine Lt. Col. Oliver L. North, a National Security Council deputy director for political-military affairs, according to administration officials involved in the program. After discussion of North's three-page memo by senior NSC staff officers, then-NSC adviser Robert McFarlane presented it orally to the president. The officials said Reagan approved the operation.

NORTH, WORKING with Pentagon, State Department, and other White House officials, implemented the plan. He called upon former covert intelligence officers to handle the operational side of the program, according to U.S. officials and *contra* leaders. The White House recruited retired Army Maj. Gen. John K. Singlaub, whose intelligence background dates back to World War II and the CIA's forerunner, the OSS. Singlaub organized fund-raising for the *contras* and provided military advice.

Singlaub acknowledges clearing his actions with North and meeting frequently with CIA Director William J. Casey to discuss the operation. Singlaub said he had an arrangement with North "like in the military" when a junior officer would tell a superior what he planned to do. North's silence was regarded as affirmative approval. Two former intelligence officers described the *contra* support program as a "classic" covert operation with deniability built in for the White House at every level.

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Singlaub, through his leadership of the World Anti-Communist League, traveled extensively to solicit aid for the *contras* from right-wing organizations and governments receiving U.S. military assistance. One senior White House official who participated in the discussions said the "big three" countries expected to provide substantial aid were South Korea, Taiwan, and Israel. Sources close to Singlaub said sizable donations came from businessmen close to the governments of South Korea and Taiwan, the nations that founded WACL in the 1960s. Singlaub also became involved, through brokers in Europe, with Israeli sales to the *contras* of weapons and ammunition captured from the PLO during Israel's 1982 invasion of Lebanon.

OVER TIME, other former CIA operatives were put in key operational positions in support of the *contras*. Bay of Pigs veteran Rodriguez/Gomez, who according to Hasenfus was in charge of the *contra* air resupply operation, was a CIA adviser to the Bolivian armed forces when they captured and killed Cuban revolutionary Ché Guevara in 1967. Hasenfus said the other Cuban-American CIA agent directing the *contra* air wing was named Ramon Medina. Based on a photograph shown him by Sandinista officials, Hasenfus later identified Medina as Luis Posada Carriles, a veteran of CIA anti-Castro operations in the 1960s. Posada Carriles is now a fugitive wanted in Venezuela on charges that he helped plan the October 1976 midair bombing of a Cubana airliner with 73 people aboard, including the Cuban national fencing team. A U.S. official subsequently confirmed that Medina was Posada Carriles.

It is still not precisely clear how much day-to-day direction the resupply operation received from administration officials. Salvadoran telephone bills from a safe house used by Rodriguez/Gomez show repeated calls in September to North's private lines at the National Security Council. North, through a spokesman, responded that he never knowingly received calls from the safe house. Other calls went to Stanford Technology Trading Inc., a firm outside Washington run by retired Air Force Maj. Gen. Richard V. Secord. The former general, who helped negotiate the sale of AWACS planes to Saudi Arabia, reportedly acted as an intermediary for gaining Saudi financial support for the *contras*. Secord denies the allegation.

The "private" network did succeed in keeping covert American aid flowing to the *contras* while the administration pressured Congress to resume funding of the *contras*. (Congress reluctantly agreed to provide $27 million in nonlethal aid in 1985, and then approved $100 million in military and other aid last month.) One retired senior CIA official, though, said the *contra* aid network had spun "out of control" and could end up resurrecting deep public distrust of the CIA. He said the operation's lack of accountability contributed to reported widespread corruption and even narcotics trafficking.

In early 1984, the Reagan administration was faced with the stark choice: either bow to congressional demands to halt U.S. aid to the *contras* or devise some way to circumvent the legal restrictions.

The administration had long chafed under the legal requirement to keep the House and Senate intelligence committees fully informed about covert activities. CIA officials complained that the committees leaked sensitive information and obstructed operations, such as the one that President Reagan authorized in 1981 to organize a Nicaraguan rebel army. Congress, in turn, complained that the CIA had consistently misled the oversight panels as to the goals and actions of the *contra* program. The administration had justified the *contra* operation as a way to interdict weapons smuggled to leftist Salvadoran guerrillas by the Sandinistas in Nicaragua. But Congress soon suspected the objective was much more ambitious and barred the CIA from trying to overthrow the Sandinista government.

The tension between Congress and the executive branch erupted into a full-scale confrontation in early 1984 when the oversight committees learned belatedly that the CIA had directed the mining of Nicaragua's harbors and then told the *contras* to claim public credit for the operations. The mining controversy led to the cutoff of CIA aid in the spring of 1984. Congress approved an amendment sponsored by Representative Edward Boland of Massachusetts banning outright all U.S. military assistance to the *contras* beginning in October 1984. The ban—after the CIA had spent an estimated $80 million—prohibited the CIA, the Pentagon, or any other entity of the U.S. government involved in intelligence from "directly or indirectly" aiding the *contras* militarily.

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Although many in Congress believed the Boland amendment was so tightly written that the administration would be forced to the sidelines, Oliver North had already made clear to the rebels that U.S. assistance would continue. Edgar Chamorro, then one of eight directors of the Nicaraguan Democratic Force (FDN), the largest rebel army, said that in early 1984, North assured the FDN "of continued United States government support, notwithstanding the refusal of the Congress to appropriate more funds." Chamorro made his statement in a sworn affidavit given to the World Court after Nicaragua accused the United States of violating international law. In January 1985, two close associates of North quoted him as saying, "If it weren't for those liberals in Congress, we wouldn't be doing half of what we do illegally."

Operating at the edges of the law, White House officials used "cutouts," or intermediaries, to insulate themselves from direct contact with some covert operatives. One conservative activist who played that role was Robert W. Owen. Although not on the government payroll, Owen worked out of North's office in late 1984 and served as his liaison to the *contras*. In the fall of 1985, Owen's personal consulting firm was given a $50,000 contract with the State Department office administering the $27 million in "humanitarian" aid to the rebels.

One prominent rebel official said Owen "represented North" as almost "a proconsul" to *contra* leaders. A well-placed U.S. government official said Owen acted as North's go-between to the rebels and sat in on military-related meetings that North "considered risky" in terms of the Boland amendment. Owen, for example, helped organize Nicaraguan Indian military operations in Honduras in late 1984 and early 1985, and tried to establish a 200-man force in Costa Rica in early 1985, according to *contra* and American sources.

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Teofilo Archibald Wilson, a leader of Nicaraguan Indians fighting the Sandinistas, described how the Owen-North connection worked. Wilson met with North in June 1985 to complain that the FDN had refused to share promised military supplies. Wilson said North agreed to "solve the problem" and told the Indian leaders to go to Miami, where they would be contacted. Wilson said that several days later, Owen arrived in Miami to discuss the situation further and give the Indians cash to pay for their rooms. Upon their return to Honduras, Wilson and two other Indian leaders said the CIA station chief brokered an agreement that brought two planeloads of ammunition.

Owen also collaborated with John Hull, an American who owns a farm in northern Costa Rica and whom several rebel officials have identified as a CIA asset working with the rebels. Jack Terrell, then the field commander of a pro-*contra* group called Civilian Military Assistance (CMA), said he met Owen and Hull at a hotel room in Houston in December 1984. Terrell said that Hull identified himself as the liaison between the CIA and the rebels, and that Owen called himself "a liaison officer for a government agency that had a vested interest in this meeting."

TERRELL SAID OWEN and Hull sought CMA's help in organizing a Costa Rican front for the Honduran-based FDN and discussed the number of American volunteer trainers needed. Owen cautioned that the Americans could not be seen as entering Costa Rica to train *contras*. Terrell said he called FDN leader Adolfo Calero, who stressed the importance of describing the plan exactly to Owen so he could relay the information back to Washington.

A month later, at President Reagan's second inaugural in Washington, CMA founder Tom Posey and a former U.S. official met with Owen. They said Owen described himself as representing North. They said Owen urged CMA to postpone a planned operation in Honduras and instead assist the FDN open a military front in Costa Rica. CMA agreed to send a training team to Costa Rica to help build a "southern front," long a dream of CIA strategists seeking to squeeze Nicaragua from north and south. (That effort ultimately foundered in April 1985 when two members of the team led an attack on a town in southern Nicaragua. Costa Rican authorities responded by arresting five trainers on charges of violating Costa Rican neutrality.)

THE REAGAN administration has never acknowledged any violation of the congressional ban, but neither has it offered a comprehensive explanation of its contacts with the "private aid" network. One White House official, speaking for the administration but insisting on anonymity, denied any wrongdoing, but added that it was "quite possible that Reagan and McFarlane discussed how to help" the *contras* in the face of the cutoff. In response to one inquiry from the House Intelligence Committee, McFarlane wrote on September 5, 1985, that no one on the NSC staff had violated "the letter or spirit of the law."

But the hidden U.S. government role underscores a key fact of the *contra* war since it started in 1981: its success hinged on outside training and often direct U.S. control. Early expectations at the CIA that the *contras* could oust the Sandinistas by the end of 1983 were dashed when the FDN proved unable to hold any territory or win significant popular support inside Nicaragua. The frustration led to a meeting in mid-1983 in Honduras, chaired by CIA Director Casey. After the meeting, the CIA assumed direct responsibility for a series of port raids, including the destruction of oil reserves at the Pacific port of Corinto, and later for the mining of Nicaragua's harbors.

On January 5, 1984, at the town of Potosi, and at San Juan del Sur on March 7, 1984, American CIA personnel flying Hughes 500 helicopters exchanged fire with Sandinista forces, government sources said. One intelligence official said the Potosi attack was ordered by a CIA officer out of frustration that Nicaraguan pilots could not do the job.

Hasenfus offered a similar explanation for creation of the air resupply operation. In an interview in a prison outside Managua, he said the *contras*, who also own a small fleet of planes, did not have the pilots or aircraft to carry out effective air drops. "Let's just say our flights hit the target," Hasenfus said. The original plan, he said, was to buy supply planes, train the *contras* to use them, and then sell the aircraft to the *contras*. But Hasenfus said that "just never materialized," and "all of a sudden they needed flights and the flights started to go" with American pilots and crews.

Although the October 5 plane crash brought to light many new details of the *contra* aid network, one area that is still unclear is where the funding came from after Congress cut off aid. One U.S. government official involved in the program recently estimated that no more than $17 million was channeled to the *contras* through private groups. Yet other officials estimate the cost of sustaining the *contra* war at between $100 million and $200 million. One possible explanation is that the *contras* had access to a variety of funding sources, many originating with or arranged by the United States.

Earlier this year the General Accounting Office concluded that more than half of the $27 million in non-lethal assistance approved by Congress last year for the *contras* could not be tracked. Records of bank accounts used by brokers for the funds revealed that millions of dollars were transferred into offshore bank accounts, paid to the Honduran military, or given to Miami brokers who worked closely with the *contras*. A draft GAO audit has also concluded that $15,000 earmarked for purchase of clothes for Indian rebels based in Costa Rica was diverted to buy ammunition.

One U.S. official involved in the *contra* program also said that the diversion of U.S. Economic Support Funds (ESF) through El Salvador, Guatemala, Honduras, and Israel was vital to financing the secret war. One American arms dealer who has sold weapons to the *contras* said some arms were purchased with "black money," a term for CIA funds that are concealed in padded U.S. military contracts.

Other evidence points to the rebel forces using profits from drug trafficking to pay for the war. One U.S. intelligence report claimed that $250,000 from cocaine smuggling was used to buy a helicopter and other military equipment for troops loyal to Eden Pastora, a leader of the Costa Rican-based force Revolutionary Democratic Alliance

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(ARDE). American law enforcement officials have said other *contra* organizations operating in northern Costa Rica, including the FDN, engaged in drug trafficking, often with Cuban-Americans from Miami.

But on October 18 the *contras'* money problems eased considerably. President Reagan signed into law the congressional authorization for the $100 million aid package. Two years after Congress banned aid and two weeks after Eugene Hasenfus parachuted out of the fiery plane, U.S. military aid to the *contras* was legal once again.

Robert Parry is a Washington reporter. Brian Barger is an associate producer for the CBS News show "West 57th Street."

WHO'S WHO IN THE CONTRA NETWORK

THE WHITE HOUSE

Robert McFarlane
NSC adviser who obtained Reagan's approval in early 1984 for "private aid" network to aid the *contras*.
Oliver North
NSC official who proposed the network to evade congressional aid ban.
Robert Owen
North's intermediary with the various *contra* armies.
Donald Gregg
Former CIA official who helped Felix Rodriguez (see below) get his job.

THE 'PRIVATE' GENERALS:

John Singlaub
Leader of World Anti-Communist League and close colleague of North's.
Richard Secord
Retired Air Force general, apparently active in funneling money to *contras* through other countries.
Tom Posey
Leader of Civilian Military Assistance (CMA), a paramilitary group that supports the *contras*.

FIELD OPERATIVES

Eugene Hasenfus
Hapless survivor of October 5 plane crash in Nicaragua who says he worked for the CIA.
Felix Rodriguez (a.k.a. **Max Gomez**)
Bay of Pigs veteran who directed the *contra* resupply effort from an air base in El Salvador.
Luis Posada Carriles (a.k.a. **Ramon Medina**)
Rodriguez's colleague, wanted for terrorism.
John Hull
American whose Costa Rican farm is a *contra* base.

THE MIAMI CONNECTION

Leon Kellner
The U.S. attorney in Miami, investigating a 1985 illegal arms shipment to the *contras*.
Jesus Garcia
The Miami man whose revelations led to Kellner's investigation.
Jose Coutin
Aide to Posey and government informant against Garcia.
Alan Saum
Another aide to Posey who also helped arrest Garcia.
D.C. Diaz and Dennis Hamburger
Officers who used CMA's help to arrest Garcia.
Jack Terrell
A former CMA leader who says he discussed the assassinations with the *contras*.

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